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# FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts, March 2008

FEBRUARY REVENUE (IN MILLIONS): SALES TAX: \$1,805.1 OIL PRODUCTION: \$113.5 NATURAL GAS: \$224.1 MOTOR FUELS: \$254.4 MOTOR VEHICLE SALES: \$276.0 TOBACCO: \$107.8

## Around Texas

- **The Defense Energy Support Center** has awarded a \$185.4 million contract to Refinery Associates of Texas Inc. in New Braunfels to supply naval distillate fuel.
- **The Container Store** is expanding its e-commerce business to include Canada and plans to open 29 stores over five years.
- **Lone Star Overnight** has started an aggressive service territory expansion that will add 500 cities to its shipping network by the end of 2008.

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## Industries to Watch

*From management to mining, Texas industries flourish.*

Texas boasted a strong 2007 job market, with several major industries posting significant gains.

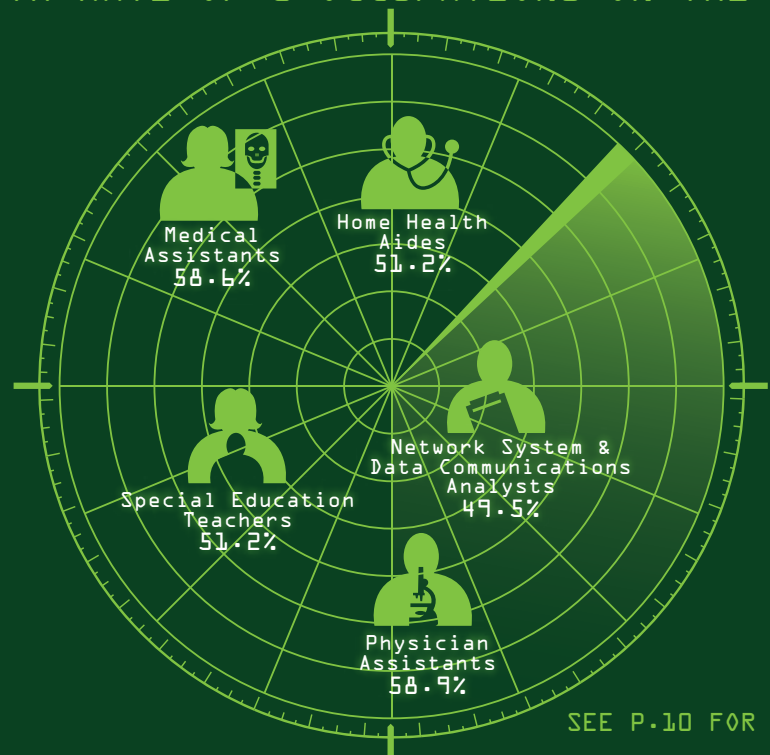
"Hot" industries, those posting the highest percentages in job growth during the past year, ranged from mining to corporate management, according to Texas Workforce

Commission (TWC) statistics. Utility system construction posted gains, while jobs in administrative, support and waste management services topped the list of fastest growing industries.

"Texas employers continue their impressive run by adding jobs and fueling the

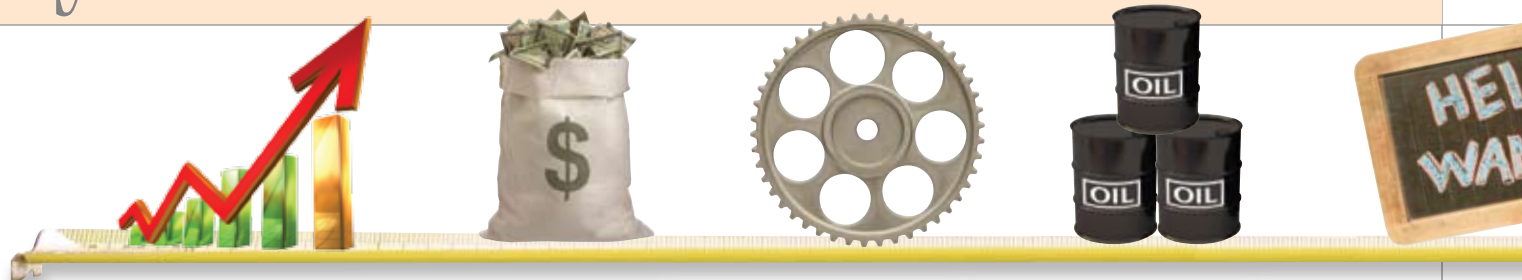
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## GROWTH RATE OF 5 OCCUPATIONS ON THE MOVE



SEE P.10 FOR DETAILS

# By the Numbers



## Indicators Chart Economy's Health.

So you try to follow the business news, and you hear that durable goods are down, unemployment claims are flat, and housing permits are falling, but manufacturer inventories are rising...and you still don't know whether that's good or bad?

Welcome to the world of economic indicators, the yardsticks, some straightforward, some arcane, by which governments, businesses and economists measure the health and pace of the economy.

Statistics have been used for centuries to get a handle on business conditions, but today a bewildering variety of economic data is available from governments, academics and private organizations.

## Past, Present, Future

Indicators fall into three major categories: lagging, coincident and leading. *Lagging indicators* are measures such as house foreclosures and bank failures that follow an economic downturn. You can use them to confirm and analyze past events, but not to predict future ones.

"They are useful, though, to describe the past more accurately, and that helps us be more accurate about the future," says Gary Preuss, an economist with the Comptroller's Revenue Estimating Division.

*Coincident indicators*, such as total nonfarm employment, move with the economy; in a sense, they define it. They're important because they provide the best available snapshot of current economic conditions, but like lagging indicators they have no predictive value.

Most public attention, however, is focused on *leading indicators* — statistics that can be used to predict the course of the economy down the road.

"A leading indicator is basically a forecast item," Preuss says. "It's something that will tell you what's going to happen six months from now, based on what we know today."

Initial claims for unemployment, for example, represent a common and highly useful leading indicator that can signal the beginning of an economic slowdown.

Obviously, the ability to predict the course of future economic events makes such indicators extremely useful.

"Leading indicators have a lot of influence on the stock market, mostly because stock prices depend not so much on what's really happening as what people think is going to happen," says Preuss. "And they're a planning tool for the federal government, which uses indicators in part to gauge where the needs for government services are going to be."

## The Texas Index of Leading Economic Indicators

The Texas Leading Indicators Index has proven to be an accurate and useful tool for charting short-term trends of the state economy. It consists of 10 elements:

- Initial claims for unemployment compensation, as compiled by the Texas Workforce Commission.
- The Help-Wanted Index: employment advertising in a number of Texas newspapers, as monitored by the Comptroller's office.
- Consumer Confidence index for the West South Central States, a measure established by consumer surveys conducted by the Conference Board.
- Average length of the manufacturing workweek, compiled by the Texas Workforce Commission.
- Total retail sales, as measured by the Comptroller's office.
- Average oil price in dollars per barrel.
- The Texas Stock Index, which tracks stock prices of the 100 publicly traded companies that employ the greatest number of Texas workers.
- New residential housing permits in Texas, as tracked by the U.S. Census Bureau.
- New business incorporations and registrations, reported by the Texas Secretary of State's Office.
- The U.S. Leading Economic Indicator Index, compiled by the Conference Board.

Source: Texas Comptroller of Public Accounts



"If we're heading into a recession, the government knows it may have to pour more money into welfare programs right now, for instance," he says. "And it's the same thing for business. Should we invest in this item now? Should we build a new plant, or hire more employees? Leading indicators can help answer those questions."

### Indices Point the Way

Leading indicators can be compiled into an index, which combines and weighs a number of statistics into a

single measure. One of the most widely used of these is the U.S. Index of Leading Indicators, prepared monthly by the Conference Board, a private business research organization.

The U.S. index combines 10 variables, including measures such as new private housing permits, initial claims for unemployment insurance, stock prices and manufacturers' new orders for consumer goods and material. Together, these factors have proven to predict the near future of the national economy with fairly consistent accuracy.

The Texas Comptroller's version uses its own measure, the Texas Index of Leading Economic Indicators, to predict short-term trends in state economic activity (see sidebar). These are used in preparing the Comptroller's estimates of state revenue, which rely on Texas business activities subject to tax.

"The 10 components of our index are things that, over time, have tracked the Texas economy pretty well," says Preuss. "We chose components for the index based on which are best for forecasting. We threw out a lot of factors, too. You can do statistical tests to see how accurate each indicator has been. Some things are not predictive at all, while others correlate very highly."

The various component indicators in the Texas index are changed only rarely, just twice since 1988, according to Preuss.

"The predictive ability of things doesn't change that much, unless you have a really big shift in the economy," he says.

But the relative weights assigned to each factor in the index are shifted periodically to reflect changes in the state economy.

"A good example is oil prices," Preuss says. "Oil prices used to correlate extremely well with where Texas was going. If prices went up, the economy went up. But now, with a much larger part of our economy not related to oil, it's not as strong a predictor any more" — and its weight has been changed to reflect this.

For the latest economic indicators from the Texas Comptroller's office, see [www.window.state.tx.us](http://www.window.state.tx.us). **FN**

## Forward, Into the Past

Economic indicators generally fall into three categories.

**Leading** indicators indicate which way the economy is headed.

Examples:

*Initial Claims for Unemployment* — the number of workers filing for unemployment benefits after losing a job.

*Consumer Confidence Index* — consumer expectations about the economy, as reflected by a survey of 5,000 U.S. households conducted by the Conference Board.

**Concurrent** indicators show economic changes occurring right now.

Examples:

*Gross Domestic Product* — the value, expressed in dollars, of all goods and services produced in the nation in a specific year.

*Nonfarm Employment* — the total number of wage and salary earners working in business, industry and government.

**Lagging** indicators reflect past economic events.

Examples:

*Unemployment Rate* — the percentage of the total labor force that is unemployed in a given month.

*Outstanding Commercial and Industrial Loans* — the volume of business loans held by banks and "commercial paper" (unsecured obligations) issued by nonfinancial companies.

Sources: U.S. Bureau of Labor Statistics, Oregon Employment Department, the Conference Board, the Federal Reserve and Texas Comptroller of Public Accounts



*Economic Spotlight:*

# “Texans Believe in Free Enterprise”

## *An interview with Fiona Sigalla, regional economist with the Federal Reserve Bank of Dallas*



Fiona Sigalla is a regional economist for the Federal Reserve Bank of Dallas, responsible for monitoring the economy of the 11th Federal Reserve District, which consists of Texas,

northern Louisiana and southern New Mexico. A graduate of the University of Washington and the University of Minnesota, she has been with the Federal Reserve since 1988. *Fiscal Notes* recently sat down with Sigalla to discuss the problems and opportunities facing Texas.

**Fiscal Notes:** Thank you for talking with us today. So will the Texas economy continue to more closely resemble the nation's economy?

**Sigalla:** That's right. Our service sector will continue to grow faster than goods

industries. That's a national trend, and it will make knowledge more important.

**FN:** And that highlights the importance of education.

**Sigalla:** Oh, yes. As we become more of a knowledge-based society, it's important to educate all of our residents. The income earned by service workers in Texas will depend on the level of education and skills they have.

It's important not only to put the money in there, but to make sure it's spent in a way that produces the best-educated workers we can. And that means making sure that they're getting the math and science they need to contribute to the work force.

That's already a constraint for some firms in the state. They're having trouble getting the skilled workers they need. So we need to be sure that they can find the workers they need here, or they may choose to expand somewhere else. If we want the high-skilled, high-paid jobs, we've got to be sure that we have the workers to fill them.

**FN:** What about higher education? The same concerns apply there, right?

**Sigalla:** Of course. In particular, though, we have to make sure we have enough universities to keep as many talented Texas graduates in the state as we can. I'm talking about top-tier universities that are competitive with any across the country, that produce the research and technology that attract high-tech firms. Graduates of those universities tend to stay around and start companies, so top-flight universities have a lot of positive effects for our economy.

**FN:** Looking ahead for the next 20 or 30 years, what do you think will be some of the main forces shaping our economy?

**Sigalla:** One of the obvious trends is that oil and gas extraction is going to continue to shrink. Even though technology and very high prices have allowed us to extract previously unprofitable resources, like the natural gas in Texas' Barnett Shale formation, it's a limited and dwindling resource. We'll continue to be a global supplier of energy equipment and services to drillers around the world, though.

**FN:** As a regional economist, you've done a lot of work on border issues and



international trade. What are the key issues Texas faces in that area?

**Sigalla:** We're in a global economy, of course, and Texas is the No. 1 exporting state. That has been a very important source of growth and diversification for us. The U.S. economy has slowed recently, but we've continued to export to a broad mix of countries. Anything that slows down our trade will slow our economic growth, and anything we can do to speed it up will stimulate our economy.

**FN:** And that's where public policy can help us.

**Sigalla:** Yes indeed. Texas has gained a lot from sharing a border with Mexico. Cross-border trade of goods and services stimulates our businesses.

We need that border to function efficiently, to maximize trade and economic growth. It's important that we use technology that will allow goods and trusted travelers to get across the border efficiently, so that our economy will continue to benefit from trade with Mexico. That's been one of the state's biggest sources of growth.

**FN:** How about the environmental issues the state faces? How can they affect our economy?

**Sigalla:** One of the problems we'll have to address in the next few years is the air quality issue. It's quickly becoming an issue that can limit our growth.

With federal air quality standards, and global warming restrictions that may be put into place, we'll be limited in the total amount of pollution we can generate. If we're generating all our pollution through roads and cars, that leaves less that can be generated by our factories and businesses.

We'll have to make some decisions about how we're going to manage air emissions, so that businesses can continue to work here — because otherwise, they'll go somewhere else.

**FN:** That said, I know you're positive about the long-term prospects for the Texas economy. What would you say are our key strengths?

**Sigalla:** Our assets include our proximity to Mexico, which has been and will

continue to be important. And our excellent distribution network — our roads, the Port of Houston, our rail lines and our airports, all of that has helped us take advantage of the global marketplace.

We have lots of inexpensive land and relatively low costs of living and doing business. It's very easy to build here, and get a new company started quickly, and workers can live very well. That has made many of our industries very competitive with the rest of the world.

And Texas is known for being pro-business, with smart regulations that are not overly burdensome or inappropriate, and relatively low taxes. Most Texans believe in free enterprise and allowing business to make the decisions necessary to compete. **FN**

*For a look at economic data on the Federal Reserve's 11th District, which includes Texas, northern Louisiana and southern New Mexico, see the most recent "Beige Book" at [www.dallasfed.org/research](http://www.dallasfed.org/research).*

*Future issues of Fiscal Notes will feature more interviews with business leaders and professionals who chart the progress of the Texas economy. Watch for them!*





# Comptroller Online: At Your Service

## *New law means more Texas businesses will report and pay taxes using Internet tools.*

Texas taxpayers can choose from several online services offered through the Comptroller's Web site, and more Texas businesses are expected to use them due to Senate Bill (SB) 377, passed by the 80th Texas Legislature.

SB 377 lowers the electronic-payment threshold, or the amount of tax paid before electronic payment or reporting is mandatory, from \$100,000 to \$10,000, and the electronic-reporting threshold from \$100,000 to \$50,000, for 12 different taxes.

"At first glance, there are more than 90,000 businesses that pay between \$10,000 and \$100,000," says Art Earle with the Comptroller's Electronic Reporting Division. As many as 25,000 of those already voluntarily file and pay electronically. Texas already collects nearly 90 percent of its taxes through electronic payment.

SB 377 took effect June 1, 2007, but will require rules, policies and computer program changes before full implementation in January 2009. The Comptroller's office will notify affected businesses when the change is in place, but awareness of the effective date will help taxpayers avoid penalties for late or incomplete filing and payment.

### **The Online Lineup**

WebFile is the most widely used online filing and payment tool, with more than 730,000 returns filed and more than \$51 million in paid taxes in fiscal 2007.

## Electronic Access Roundup

The Comptroller offers 24-hour access to electronic reporting and payment tools — both online and by telephone — to save time, money and paper. The full list (below) is online at [www.window.state.tx.us](http://www.window.state.tx.us).

- **WebFile**
- **TeleFile**
- **Electronic Data Interchange**
- **Electronic Funds Transfer (TEXNET, Web EFT or Web Credit Card)**
- **Licensed Customs Brokers Export Certification System**
- **Cigarette Delivery Sales Report**
- **Unclaimed Property Holder Reporting**

It also meets the mandate for submitting a return electronically. Earle says WebFile most benefits businesses with 30 or fewer outlets, and advantages include reduced paperwork, automatic calculation of taxes due, online help screens and 24-hour access.

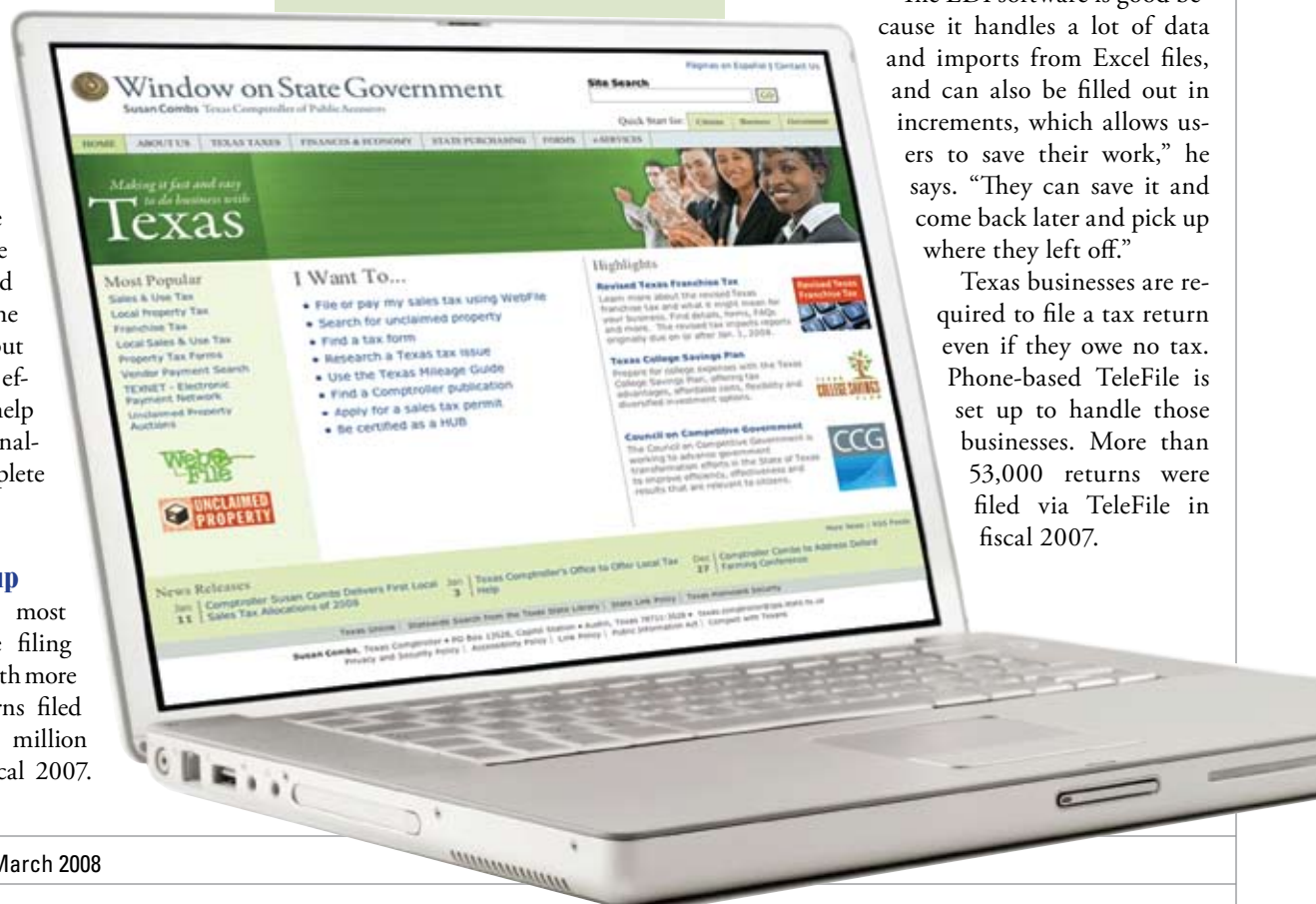
WebFile offers credit card payment options by American Express, Discover Card or MasterCard.

Of course, taxpayers can still use TEXNET and have their financial institution transfer funds to the Comptroller's office, or pay by electronic check using WebEFT or by credit card. With WebEFT, taxpayers can set a payment date and have funds moved from their bank account. Returns must be filed by 11:59 p.m. CST on the due date, and late returns are subject to appropriate penalties.

More than 10,000 taxpayers use Electronic Data Interchange (EDI) to report seven different taxes. Larger companies and firms that file monthly or quarterly returns tend to use EDI, says Earle.

"The EDI software is good because it handles a lot of data and imports from Excel files, and can also be filled out in increments, which allows users to save their work," he says. "They can save it and come back later and pick up where they left off."

Texas businesses are required to file a tax return even if they owe no tax. Phone-based TeleFile is set up to handle those businesses. More than 53,000 returns were filed via TeleFile in fiscal 2007.



With confidential information in on-line exchanges, security is a major concern. A robust firewall system, encrypted transmissions and secure socket layers keep taxpayer data safe.

"In addition, users have to provide confidential password information to verify that they are who they say they are," Earle says. "Our systems are constantly monitored to maintain the highest levels of security."

### Stake Your Claim

The Texas Unclaimed Property Program has more than 8 million properties totaling more than \$1.7 billion. This property comes from businesses, financial institutions, insurance companies, co-ops and other entities that may hold abandoned financial assets for missing owners. These businesses and holders must report and remit abandoned assets in their possession to the state on Nov. 1 each year.

"Anyone holding abandoned financial assets beyond an established dormancy period of usually one to five years, depending on the type of property, has to report and remit that property to the state," says George Tamayo, manager of Unclaimed Property. "It could be someone's last paycheck, a utility deposit, commission checks, royalty payment or even the contents of a safe deposit box. There are about 100 different types of property that are reportable."

The Comptroller offers a downloadable software program that allows a business to file an annual unclaimed property report, Tamayo says.

"We strongly encourage all businesses to file their report electronically if they have more than 10 items," he says.

More than 13,000 reports containing about 1.2 million line items of property were filed between July 1, 2006, and June 30, 2007, with about 75 percent of those filed electronically. New users downloaded the reporting program more than 1,700 times between August 2007 and January 2008.



## The Dozen to Know

Businesses need to know the 12 taxes affected by Senate Bill 377 and the new \$10,000 threshold that mandates electronic payment or reporting.

- **State and local sales and use taxes**
- **Direct payment sales taxes**
- **Gas severance taxes**
- **Oil severance taxes**
- **Franchise taxes**
- **Gasoline taxes**
- **Diesel fuel taxes**
- **Hotel occupancy taxes**
- **Insurance premium taxes**
- **Mixed beverage gross receipts taxes**
- **Motor vehicle rental taxes**
- **Telecommunications infrastructure fund assessments**

"The majority of the reports coming in use an electronic format, which reduces the need for data entry and improves processing times," Tamayo says.

When the reports are processed, the names of individuals with unclaimed property are added to the searchable database on the Comptroller's Web site. More than 240,000 inquiries were made through the site in 2007, with almost \$120 million in previously unclaimed property returned to Texans.

More information on unclaimed property is available at [www.window.state.tx.us/up](http://www.window.state.tx.us/up).

### Customs Brokers

Texas licensed customs brokers use the Comptroller's Web site for issuing certificates for refunds of Texas sales tax. When a person buys goods in Texas and takes them out of the country, they can get the sales tax refunded with a Customs Brokers Certificate.

"The system tracks all certificates issued by the Texas customs broker," says Dale Lykins, a systems analyst for the Comptroller. "Even if the system is down for maintenance, they have a paper form they can issue to their customer. For the certificate to be valid, however, they must enter the information within 24 hours of the system coming back up. This is done to curtail fraud."

As of December 2007, there were 45 licensed brokers in Texas who, along with their employees, were responsible for more than 1.2 million certificates totaling more than \$97 million in refunded sales tax, all tracked through the online system. **FN**

*Online shopping is a fast, convenient alternative to fighting the crowds, but it also means lost sales tax revenue for state and local governments. To learn about what Texas is doing to offset this and how it might affect you, go to [www.fiscalnotes.com](http://www.fiscalnotes.com).*

# The Start of Something Big

## *College savings plans help you over the mountain.*

The Texas Comptroller of Public Accounts has partnered with OFI Private Investments Inc., a subsidiary of OppenheimerFunds Inc., to give all U.S. families, regardless of income, a tax-advantaged tool for meeting education costs.

While Texas' higher education tuition and fee increases for 2007-08 outpaced the nation, there is some good news. Investing in a Texas college degree is still relatively affordable. Families can finance that college dream with the state's new Texas 529 College Savings Plans.

A person with a bachelor's degree will earn \$1 million more over his or her lifetime than a person with only a high school diploma.

"College isn't a 'nice to have' anymore, it's a must have," says Bill Raynor, OppenheimerFunds vice president for 529 plan's national sales.

### **It's Never Too Late**

Even families who haven't saved for college still have time to make a difference.

Parents of an 8-year-old child who dreams of going to the University of Texas-Austin could pay as much as \$107,000 for four years of in-state tuition, fees and room and board, which is below the national average. If mom, dad and grandparents contributed \$463 a month for the next 14 years, assuming a 6 percent rate of return, college would be paid for. If they borrowed the money at 6 percent interest, they would end up paying nearly \$40,000 more for the same degree.

The earlier families begin saving for an education, the more time their investment has to grow (see related chart).

### **Investing in the Future**

The plan, unveiled in November 2007, is two-pronged. For those do-it-yourself investors who want to incur

the least cost, there's the Texas College Savings Plan. For people who want a tailored approach to their investments or who prefer to work with an adviser, there's the LoneStar 529 Plan. Both plans seek the same goal: provide your child with money for college.

"The 529 Plan is super-flexible," says Raynor. "It's not a use it or lose it type of thing."

If one child doesn't use the money, the participant can change the beneficiary to another child or even a grandchild. The money can accrue earnings indefinitely. It could also be used to supplement a retirement. Earnings in that case would be subject to income tax and a 10 percent penalty.

Raynor urges people to keep their expectations realistic. Saving for college isn't an all or nothing proposition. Even baby steps will get you up the mountain, he says. For instance, the parents of the

## Texas College Savings Plan Advantages

- **Account owner controls assets**
- **Tax-deferred earnings growth**
- **Qualified withdrawals free of federal taxes**
- **State tax deductions for Texas residents**
- **Estate and federal gift tax benefits**
- **High contribution limits**
- **No income or age restrictions**
- **Can be used for broad range of higher education costs**
- **Flexible beneficiary designation**
- **Portability: may transfer assets to a different 529 plan**

Source: [www.texascollegesavings.com](http://www.texascollegesavings.com)



## To Start Saving Today

8-year-old could contribute \$150 each month today and generate more than \$32,000 for college.

OppenheimerFunds, established in 1960, offers investors age-based and static portfolios, the latter of which gives you more control over your investment strategies. Those strategies include an index strategy, which seeks to keep pace with the rate of return on a major market index. The active strategy strives to exceed the rate of return of a major index.

Visit [www.texascollegesavings.com](http://www.texascollegesavings.com) or [www.lonestar529.com](http://www.lonestar529.com) and follow the online enrollment instructions, download an enrollment form or order an enrollment kit.

Contact representatives from either type of 529 plan at (800) 445-GRAD (4723).

Texas is home to about 145 colleges and universities. In Fall 2007, an estimated 1.2 million students were enrolled in Texas schools, which was up by about 27,000 over the previous year, according to a report from the Texas Higher Education Coordinating Board.

For more information, visit [www.texascollegesavings.com](http://www.texascollegesavings.com). **FN**



### If your child is 2

**Average four-year college costs, \$120,400**

Monthly contribution	\$50 (\$9,000 total investment)	\$100 (\$18,000 total investment)	\$300 (\$54,000 total investment)	\$500 (\$90,000 total investment)
6 percent ROI	\$12,000	\$23,900	\$75,400	\$131,200
8 percent ROI	\$13,200	\$26,500	\$86,300	\$151,500
10 percent ROI	\$14,700	\$29,700	\$99,900	\$176,200
11 percent ROI	\$15,500	\$31,500	\$107,900	\$190,400

### If your child is 12

**Average four-year college costs, \$73,900**

Monthly contribution	\$50 (\$6,000 total investment)	\$100 (\$12,000 total investment)	\$300 (\$36,000 total investment)	\$500 (\$60,000 total investment)
6 percent ROI	\$6,800	\$13,600	\$41,800	\$72,400
8 percent ROI	\$7,100	\$14,300	\$44,200	\$77,900
10 percent ROI	\$7,500	\$15,000	\$47,100	\$84,200
11 percent ROI	\$7,600	\$15,300	\$48,600	\$87,700

Source: Oppenheimer Funding Calculator

CONTINUED FROM PAGE 1

# Industries to Watch

state's economy," says TWC Commissioner Representing Employers Ron Lehman. "Texas significantly outpaces the nation in job growth in industries such as construction, professional and business services and natural resources and mining."

## Growing Industries

TWC tracks employment growth by industry. All industries are assigned codes using the U.S. Census Bureau's North American Industry Classification System (NAICS). Jobs in the "management of companies and enterprises" sector showed the most growth from October 2006 to October 2007, adding 5,100 jobs for a 9 percent increase. According to the U.S. Census Bureau's 2007 NAICS definition, this sector includes businesses primarily engaged in overseeing and managing the securities of companies and enterprises, such as corporate headquarters.

Jobs in the "support activities for mining" sector added 8,500 jobs for an 8 percent increase in the same time period. Industries in this sector provide support services for mining and quarrying minerals and for extracting oil and gas. This sector also includes industries involved in drilling and well surveying for oil and gas operations.

Mining has a major economic impact on the Texas economy in terms of jobs. The aggregates industry generates thousands of jobs and other benefits in terms of output, income and sales, and provides employment and pays taxes for decades, according to the Texas Mining and Reclamation Service.

In 2007, the uranium industry grew significantly, adding more than 100 jobs in South Texas. Production is expected to increase from an estimated 1.5 million pounds in 2007 to a possible 5 million pounds per year by 2010, and revenues could reach \$500 million.

Rounding out the other top five growth industries were utility system construction, which added 3,600 jobs at a growth rate of 5.8 percent; and administrative and support and waste management

and remediation services, which added 33,400 jobs at a growth rate of 5 percent. The utility system construction sector includes companies primarily engaged in building distribution lines and related buildings for utilities, including water, sewer, gas, power and communication. Administrative and support and waste management and remediation services refers to establishments performing routine support activities for other organizations, including office administration, personnel hiring and placement, surveillance services, cleaning and waste disposal services.

The home health care services industry is poised to be the hottest industry of tomorrow, according to projections from TWC. Employment in this industry is expected to increase by 53 percent from 2004 to 2014. Home health aides are among the state's five fastest-growing occupations. Jobs in this industry are expected to jump by 51 percent from 2004 to 2014.






"Texas has worked hard to maintain a healthy business climate and to diversify our industry base," says Aaron Demerson, executive director of the Economic Development and Tourism Division of the Office of the Governor.

"We feel this combination, passing business-friendly legislation and working our industry cluster strategies, has supported the diversification of industries in the Texas economy."

## Decade to Decade

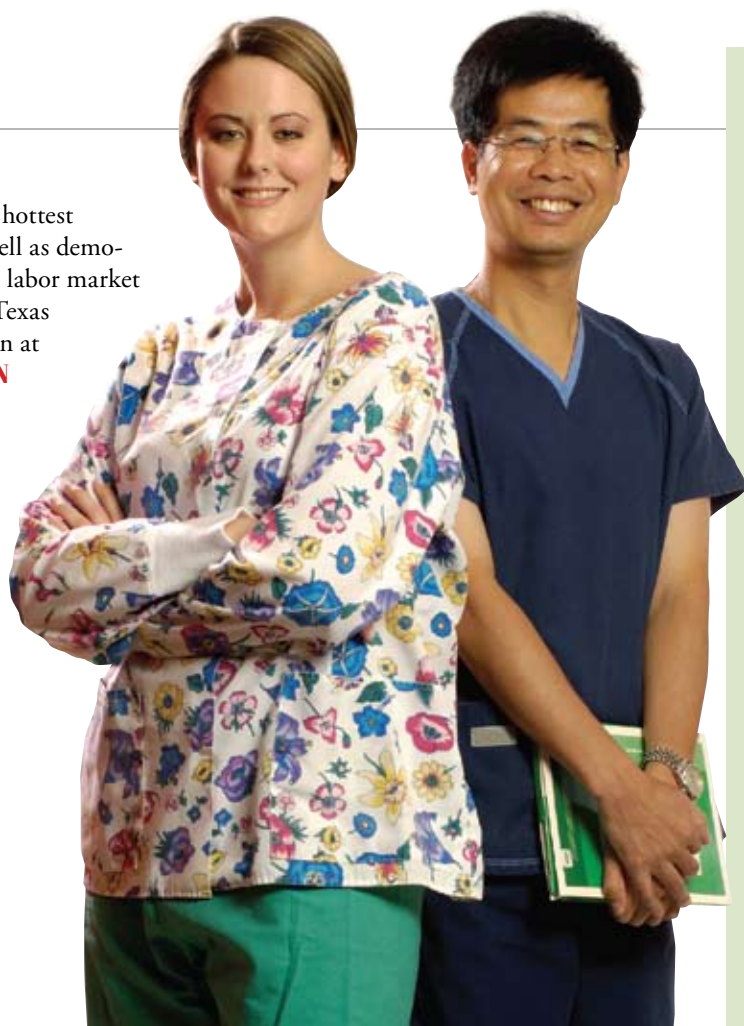
Ten years ago, mining dominated job growth. That sector's employment jumped 15 percent from 1996 to 1997. Telecommunications was the second fastest-growing industry in 1997; jobs in this field increased by 14.5 percent during the same time frame. "Other specialty trade contractors" came in third, with an 11.6 percent growth rate, followed by administrative and support and waste management and remediation services, which grew by 10.2 percent.

## Texas' Top Five Fastest-Growing Occupations

Occupation Title	Growth Rate Average Employment 2004 - Projected Employment 2014	
Physician Assistants	+58.9%	
Medical Assistants	+58.6%	
Home Health Aides	+51.2%	
Special Education Teachers	+51.2%	
Network Systems and Data Communications Analysts	+49.5%	

Source: Texas Workforce Commission

For more on Texas' hottest growth industries as well as demographic, economic and labor market information, visit the Texas Workforce Commission at [www.twc.state.tx.us](http://www.twc.state.tx.us). **FN**



## What's Hot for 2008

In its December 2007 issue, *Entrepreneur* magazine predicted a "hot list" of industries for 2008. The list included the following industries among those expected to show the most growth over the year:

- **Special Needs Foods** (including gluten-free, low-glycemic and allergen-free foods)
- **Biotechnology and Health Technology**
- **Health-Care Staffing**
- **Senior Services and Senior Products**
- **Spirits, Wine and Beer**
- **In-Home Nonmedical Care**
- **Web Applications**
- **Technical Consulting**
- **Executive Recruiting**
- **Crafts and Handmade Goods**

Source: *Entrepreneur* Magazine

## Texas' 10 Fastest Growing Industries for the Future

By 2014, employment in the home health care services industry is projected to rise the most among Texas' leading industries.

Industry Title	Average Annual Employment 2004	Projected Employment 2014	Growth Rate
Home Health Care Services	161,650	247,950	53.4%
Management, Scientific & Technical Consulting Services	53,850	82,350	52.9%
Office Administrative Services	33,350	50,650	51.9%
Motor Vehicle Manufacturing	6,650	9,650	45.1%
Offices of Physicians	149,750	216,850	44.8%
Individual & Family Services	32,600	46,650	43.1%
Computer Systems Design & Related Services	71,200	101,800	43.0%
Educational Support Services	2,000	2,850	42.5%
Offices of Other Health Practitioners	35,600	50,650	42.3%
Outpatient Care Centers	18,000	25,550	41.9%

NOTE: Industries in this list must have 500 or more employment in 2004.  
Source: Texas Workforce Commission



# Pocket Change – *A roundup of economic news and information*



## Good News for Dining Out

Texas restaurant industry sales are expected to grow by 5.8 percent to \$33.7 billion this year, according to the National Restaurant Association.

The national growth rate is expected to be 4.4 percent. Texas restaurant jobs could increase 22.9 percent by 2018. The state will have about 995,000 employees in the industry in 2008.

“The restaurant industry is entering its 17th consecutive year of real sales growth in 2008, and while the overall economy is slowing, the industry will still show respectable growth,” says Dawn Sweeney, president and CEO of the association.

Source: National Restaurant Association  
(Tracey Lamphere)



## Retiring Your Ride

The “Air Check Texas: Drive a Clean Machine” program allows as many as 1.9 million Texas households to receive up to \$3,500 in vouchers to replace or repair an aging car or truck.

“Replacing an older vehicle with a newer one could decrease emissions by as much as 98 percent and improve air quality in those areas that need improvement,” says Bob Wierzowiecki, the program’s coordinator.

Vehicle owners must meet income requirements. The vehicle must have failed an emissions test and be registered in a participating county for at least 12 months prior to application, or be at least 10 years old and gasoline-powered, meet the 12-month registration requirement and have passed a Department of Public Safety motor-vehicle inspection within 15 months of application.

For more information, including a list of vehicles eligible for voucher purchase, visit [www.driveacleanmachine.com](http://www.driveacleanmachine.com).

(Clint Shields)

## Austin Best for Business

The Austin-Round Rock area is the best place for business in the United States, according to Moody’s Economy.com Inc., an independent economic research firm that ranked the Austin-Round Rock Metropolitan Statistical Area first among 380 metropolitan areas it tracks in its Economic Vitality Index.

The index is based on current economic conditions, expected trends and potential risks, taking into account factors such as employment growth, household income, productivity and business costs.

“Austin’s No. 1 ranking is something the entire region can be proud of,” says Betty Voights, executive director at the Capital Area Council of Governments, which commissions the report from Moody’s Economy.com. “Economic development today is a competition among regions, and this top ranking serves as a strong message about our commitment to working together toward regional success.”

For more information, visit [www.capcog.org](http://www.capcog.org).

Source: Capitol Area Council of Governments, August 2007

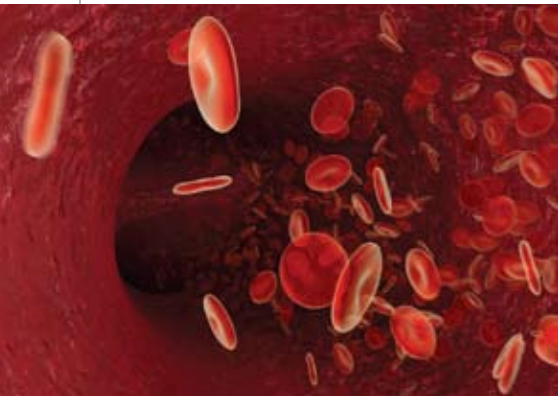
(Karen Hudgins)



### *UTHSC Spinoff Sold*

CardioSpectra Inc., a spinoff of the University of Texas Health Science Center, has been acquired by a California company.

San Diego-based Volcano Corp. paid \$25 million in cash for the company. CardioSpectra develops an optical coherence tomography (OCT) diagnostic catheter, which lets doctors diagnose vascular plaque at early stages. Volcano provides intravascular ultrasound products designed to diagnose and treat vascular and structural heart disease.



“We believe CardioSpectra’s OCT technology and products will be an important addition to Volcano, as we expect that it will allow us to expand our reach into clinical situations where extremely high-resolution imaging is paramount,” says Scott Huennekens, president and CEO of Volcano.

For more information, visit [www.volcanocorp.com](http://www.volcanocorp.com).

Source: Volcano Corp  
(Karen Hudgins)

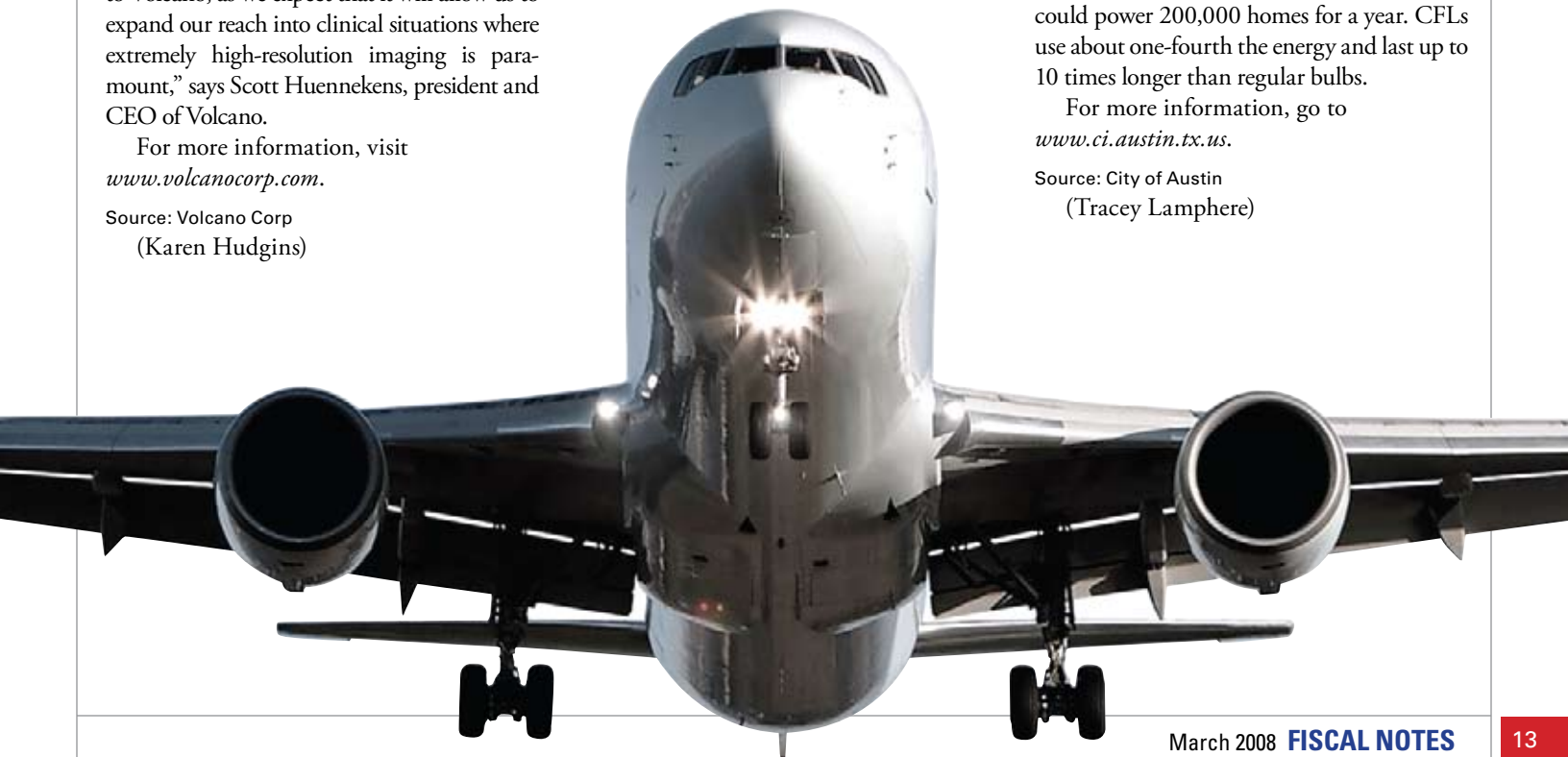
### *Boeing Makes Big Impact in Texas*

Boeing contributes \$3.52 billion annually to the state’s economy and creates more than 20,000 direct and indirect jobs, according to an economic impact study by the Institute for Policy and Economic Development at the University of Texas at El Paso (UTEP).

Boeing has 5,200 workers at sites in 14 Texas cities, including Houston and San Antonio.

“Boeing’s direct financial importance in Texas is significant, but there is a much larger impact on the state,” says Dennis Soden, executive director of the Institute for Policy and Economic Development at UTEP. “Boeing makes Texas competitive with high-wage, high-skill jobs that make the company a statewide asset. These jobs provide incentives for the best and brightest students in Texas to seek great career opportunities with a world-class company.”

Source: [www.iped.utep.edu](http://www.iped.utep.edu)  
(Tracey Lamphere)



### *A Bright Idea*

Mayors of the state’s largest cities urge Texans to replace incandescent light bulbs with energy-saving compact fluorescent light bulbs (CFLs).

Austin, Dallas, El Paso, Houston and San Antonio mayors collaborated on the campaign with the Environmental Defense Fund and Texas utility companies and retailers.

If every Texas household changed one bulb, it would be the equivalent of removing 55,000 cars from the road. The energy savings could power 200,000 homes for a year. CFLs use about one-fourth the energy and last up to 10 times longer than regular bulbs.

For more information, go to [www.ci.austin.tx.us](http://www.ci.austin.tx.us).

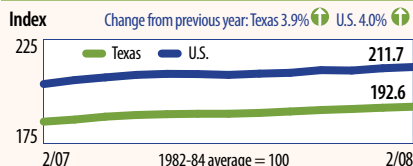
Source: City of Austin  
(Tracey Lamphere)

# Texas by the Numbers

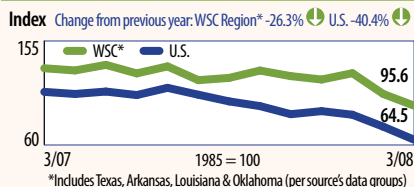
## Key Texas Economic Indicators

Texas accounted for more than 27 percent of the jobs added in the U.S. over the past year. The state is weathering the national slowdown better than most states because of solid growth in oil and gas, an industry where Texas' concentration of business activity is five times the national average. Single-family housing permits in Texas and, to a lesser extent, existing home sales are down over the past year, but so far, stable home prices in Texas have kept mortgage foreclosures well below the national rate.

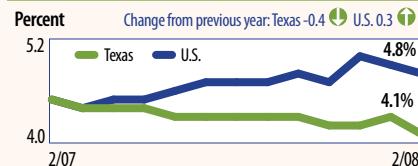
### Consumer Price Index



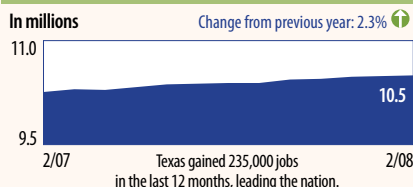
### Consumer Confidence Index



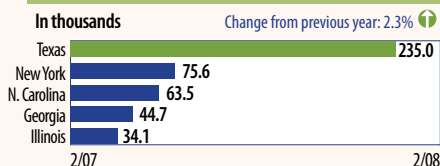
### Unemployment Rate



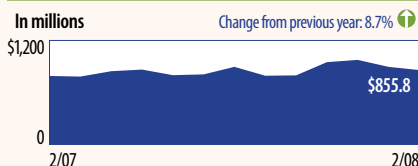
### Nonfarm Employment



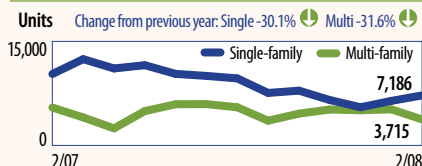
### Change in Nonfarm Employment



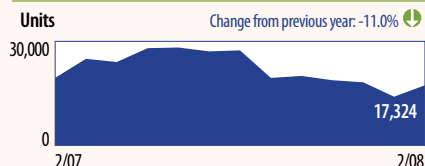
### State Sales Tax Collections, Retail Establishments



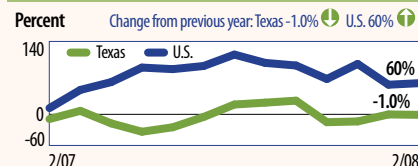
### Housing Permits



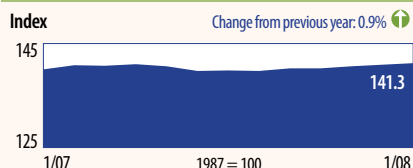
### Existing Single-family Home Sales



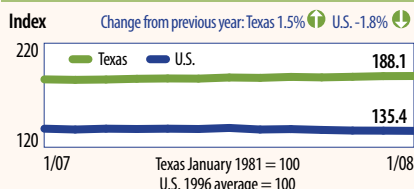
### Mortgage Foreclosures, Annual Change



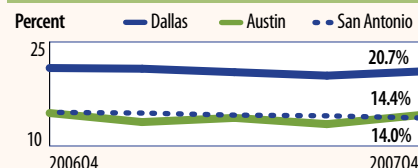
### Industrial Production Index



### Leading Indicators Index



### Metro Area Office Space Mean Vacancy Rates



## Texas Production and Consumption Indicators

	Crude Oil Production	Natural Gas Production	Active Oil & Gas Drilling Rigs	Motor Fuels Taxed		Median Sale Price, Existing Single-family Home	Auto Sales	Cigarettes Taxed
	Value	Value	Units	Gasoline	Diesel	Dollars	Net Value	Packages of 20
Date	(Millions)	(Millions)		(Millions of Gallons)			(Millions)	(Millions)
2006	\$19,657.5	\$19,852.1	746	11,372.8	3,731.6	\$143,100	\$45,756.2	1,280.2
2007	21,355.3	25,663.3	834	11,624.8	3,886.9	147,500	48,500.6	1,085.8
Dec-06	\$1,524.7	\$1,892.9	780	942.2	299.9	\$145,800	\$3,436.7	117.3
Jan-07	1,323.2	1,624.1	790	963.1	300.9	138,200	3,336.3	75.0
Feb-07	1,350.6	1,815.8	813	923.2	299.5	140,700	3,669.5	68.5
Mar-07	1,542.7	2,152.5	818	880.2	304.8	144,800	3,717.8	96.9
Apr-07	1,558.2	2,111.6	824	968.2	369.2	146,300	4,128.7	109.7
May-07	1,557.8	2,445.9	829	983.1	248.5	149,300	4,233.3	92.3
Jun-07	1,556.1	2,469.6	834	1,002.3	326.8	155,100	4,227.3	89.5
Jul-07	1,769.9	2,354.1	831	978.2	326.3	152,200	4,159.0	96.2
Aug-07	1,790.1	2,194.2	844	974.3	320.5	152,800	4,368.3	151.3
Sep-07	1,982.8	2,052.6	837	1,021.1	360.6	146,900	4,383.8	29.3
Oct-07	2,231.1	2,385.7	842	939.6	315.9	143,000	4,294.2	96.1
Nov-07	2,398.2	2,184.7	860	1,025.7	371.5	144,900	4,303.5	92.8
Dec-07	2,294.8	1,872.7	884	965.8	342.4	147,500	3,678.9	88.2
Jan-08	1,989.3		858	985.8	313.7	138,700	3,828.5	76.7
Feb-08			866	954.2	343.2	142,700	4,034.0	80.2



## February Cash Condition<sup>1</sup>

(Amounts in millions)	General Revenue	Other Funds	Total Cash
Beginning Balance February 1, 2008	\$8,522.7	\$16,452.6	\$24,975.3
Revenue/Expenditures			
Revenue	6,069.2	1,450.6	7,519.8
Expenditures	4,574.9	1,583.3	6,158.2
Net Income (outgo)	\$1,494.3	\$-132.7	\$1,361.6
Net Interfund Transfers and Investment Transactions	\$-236.6	\$866.6	\$630.0
Total Transactions	1,257.7	733.9	1,991.6
<b>End Cash Balance February 29, 2008<sup>2</sup></b>	<b>\$9,780.4</b>	<b>\$17,186.5</b>	<b>\$26,966.9</b>

<sup>1</sup> Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

<sup>2</sup> The ending General Revenue Fund Balance includes \$4.9 billion derived from the sale of cash management notes.

## State Revenue/All Funds<sup>1</sup>

(Amounts in millions)	Monthly Revenue Feb. 2008	Fiscal Year-to-Date Sept. 2007-Feb. 2008 Revenue	% Change YTD/YTD
<b>Tax Collections by Major Tax</b>			
Sales Tax	\$1,805.1	\$10,698.5	7.1%
Oil Production Tax	113.5	603.2	50.0
Natural Gas Production Tax	224.1	1,136.5	22.4
Motor Fuel Taxes	254.4	1,567.3	3.3
Motor Vehicle Sales Tax	276.0	1,674.4	8.0
Franchise Tax	4.9	11.9	-89.8
Cigarette & Tobacco Taxes	107.8	673.9	62.3
Alcoholic Beverages Tax	57.7	380.2	7.8
Insurance Companies Tax	481.5	555.4	49.5
Utility Taxes <sup>2</sup>	3.8	229.7	-3.6
Inheritance Tax	0.1	4.2	51.8
Hotel/Motel Tax	26.9	169.8	10.1
Other Taxes <sup>3</sup>	36.1	361.2	-18.0
<b>Total Tax Collections</b>	<b>\$3,392.0</b>	<b>\$18,066.1</b>	<b>9.7%</b>

### Revenue by Receipt Type

Tax Collections	\$3,392.0	\$18,066.1	9.7%
Federal Income	2,195.4	12,565.1	9.3
Interest and Investment Income	193.2	1,499.0	19.1
Licenses, fees, permits, fines,	491.4	6,852.2	119.6
Contributions to Employee Benefits	428.8	2,254.5	7.7
Sales of Goods and Services	46.6	240.9	27.8
Land Income	78.2	454.1	8.2
Net Lottery Proceeds <sup>4</sup>	142.4	821.5	7.1
Other Revenue Sources	551.7	3,444.3	5.7
<b>Total Net Revenue</b>	<b>\$7,519.8</b>	<b>\$46,197.8</b>	<b>18.2%</b>

<sup>1</sup> Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

<sup>2</sup> Includes the utility, gas utility administration and public utility gross receipts taxes.

<sup>3</sup> Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

<sup>4</sup> Gross sales less retailer commissions and the smaller prizes paid by retailers.

### Notes:

Crude oil and natural gas figures are net taxable values. Gasoline gallons include gasoline. Auto sale values are calculated from motor vehicle taxes collected on new and used vehicle sales. All figures are seasonally adjusted, except for sales tax collections; rigs; consumer price; housing permits/sales/prices; and consumer confidence. Figures are based on the most recent available data. Annual figures are for calendar years.

### Sources:

**Key Texas Economic Indicators:**  
Consumer Price Index, Change in Nonfarm Employment: U.S. Bureau of Labor Statistics  
Consumer Confidence Index, Leading Indicators Index (U.S.): The Conference Board  
Unemployment Rate: Texas Workforce Commission, U.S. Bureau of Labor Statistics  
Nonfarm Employment: Texas Workforce Commission  
Leading Indicators Index (Texas), State Sales Tax Collections: Texas Comptroller of Public Accounts  
Housing Permits, Existing Single-family Home Sales: The Real Estate Center at Texas A&M University

Industrial Production Index: Federal Reserve Bank of Dallas  
Metro Area Office Space Mean Vacancy Rates: REIS, Inc.  
Mortgage Foreclosures: RealtyTrac

### Texas Production and Consumption Indicators:

Crude Oil, Natural Gas, Motor Fuels, Auto Sales, Cigarettes: Texas Comptroller of Public Accounts  
Active Oil & Gas Drilling Rigs: Baker-Hughes Incorporated  
Median Sale Price, Existing Single-family Home: The Real Estate Center at Texas A&M University

## State Expenditures/All Funds<sup>1</sup>

(Amounts in millions)	Monthly Expenditures Feb. 2008	Fiscal Year-to-Date Sept. 2007-Feb. 2008 Expenditures	% Change YTD/YTD
<b>By Object</b>			
Salaries and Wages	\$848.9	\$4,970.9	4.4%
Employee Benefits/Teacher Retirement Contribution	700.8	4,164.8	6.7
Supplies and Materials	70.1	466.1	23.1
Other Expenditures	205.9	1,353.3	16.1
Public Assistance Payments	2,603.5	15,848.5	12.9
Intergovernmental Payments:			
Foundation School Program Grants	330.6	12,606.3	33.2
Other Public Education Grants	722.7	2,320.1	5.4
Grants to Higher Education	19.7	488.1	9.3
Other Grants	140.8	1,051.5	9.6
Travel	11.1	70.7	11.7
Professional Services and Fees	215.5	1,102.3	11.7
Payment of Interest/Debt Service	31.5	360.2	22.8
Highway Construction and Maintenance	367.5	2,674.7	-9.3
Capital Outlay	34.6	228.9	36.9
Repairs and Maintenance	46.0	326.0	15.1
Communications and Utilities	45.8	235.8	-22.8
Rentals and Leases	21.4	134.5	7.2
Claims and Judgments	5.3	63.7	62.4
Cost of Goods Sold	64.9	421.1	14.4
Printing and Reproduction	2.5	22.8	0.6
<b>Total Net Expenditures</b>	<b>\$6,158.2</b>	<b>\$48,910.5</b>	<b>14.0%</b>

### By Function

<b>General Government</b>			
Executive	\$424.6	\$2,673.1	9.3%
Legislative	10.5	64.4	2.5
Judicial	23.1	124.3	2.8
Subtotal	458.1	2,861.7	8.8
Health and Human Services	2,479.2	15,148.2	11.5
Public Safety and Corrections	385.4	2,143.3	9.1
Transportation	550.1	3,938.3	-3.2
Natural Resources/Recreational Services	156.8	1,000.5	11.5
Education	1,392.6	19,256.7	23.3
Regulatory Agencies	20.2	153.0	25.6
Employee Benefits	606.4	3,614.7	7.7
Debt Service—Interest	31.5	360.2	22.8
Capital Outlay	34.6	228.9	36.9
Lottery Winnings Paid <sup>2</sup>	43.2	204.9	0.4
<b>Total Net Expenditures</b>	<b>\$6,158.2</b>	<b>\$48,910.5</b>	<b>14.0%</b>

<sup>1</sup> Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

<sup>2</sup> Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.



**FISCAL NOTES** is one of the ways the Comptroller's office strives to assist taxpayers and the people of Texas. The newsletter is a by-product of the Comptroller's constitutional responsibilities to monitor the state's economy and to estimate state government revenues.

**FISCAL NOTES** also provides a monthly summary of the financial statements for the State of Texas.

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## Keep More in Your Pocket

Texas' 2007 state and local tax burden was by far the lowest among the 10 most populous states.

### Combined State and Local Tax Burdens as a Share of Total Income, 2007

State	2007 Population	Percent of Total Personal Income
<b>Texas</b>	<b>23,904,380</b>	<b>9.3</b>
Florida	18,251,243	10.0
Georgia	9,544,750	10.3
Pennsylvania	12,432,792	10.8
Illinois	12,852,548	10.8
North Carolina	9,061,032	11.0
Michigan	10,071,822	11.2
California	36,553,215	11.5
Ohio	11,466,917	12.4
New York	19,297,729	13.8



Sources: Tax Foundation and U.S. Census Bureau

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A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts

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